

Message Text

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ACTION NEA-10

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ATHENS FOR TRDO

E.O. 11652: N/A
TAGS: ENRG, EQUIPM, IS
SUBJECT: POWER POLITICS ON THE WEST BANK

REF: (A) JERUSALEM 1848, (B) JERUSALEM 1702

1. ON JULY 13, 1978 MR. KLIS HUIS, REPRESENTATIVE OF DELAVAL TURBINE FROM AMSTERDAM, LOCAL DELAVAL REPRESENTATIVE AND COMMERCIAL OFFICER MET TO DISCUSS PROSPECTS FOR SALE OF DELAVAL EQUIPMENT TO NABLUS MUNICIPALITY. FOLLOWING IS SUMMARY OF THE SITUATION, AS SEEN BY DELAVAL REPRESENTATIVES, AND WHAT THEY PLAN TO DO TO TRY TO WREST SALE FROM FRONT-RUNNER M.A.N. OF WEST GERMANY.

2. THE DELAVAL REPRESENTATIVES ACKNOWLEDGE THAT M.A.N. IS THE FRONT-RUNNER, BUT ALLEGE THAT THIS IS PARTIALLY A RESULT OF DELIBERATE MISINTERPRETATION OF TECHNICAL DATA IN THE EARLIER STAGES OF THE NEGOTIATIONS. THEY INSIST THAT THE DELAVAL OFFER IS MUCH BETTER THAN THE M.A.N. OFFER. THEY SAID THAT THE M.A.N. OFFER WAS TO SUPPLY

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THREE GENERATOR SETS, WITHIN ABOUT 20 MONTHS, AT A COST OF DEUTSCH MARKS 11,000,000 (APPROXIMATELY U.S. \$5,600,000). REPRESENTATIVES OF M.A.N. ARE NOW IN NABLUS AND HAVE OFFERED TO SUPPLY ONE GENERATOR, FREE OF CHARGE, FOR THE MUNICIPALITY TO USE UNTIL THE THREE LARGE GENERATORS CAN BE DELIVERED AND INSTALLED. ADDITIONAL M.A.N. PERSONNEL ARE SCHEDULED TO ARRIVE IN NABLUS ON

JULY 15 TO TRY TO GET THE NABLUS MUNICIPALITY TO SIGN THE CONTRACT TO PURCHASE THE EQUIPMENT FROM M.A.N. A COMMITTEE OF NABLUS OFFICIALS AND ENGINEERS PLANS TO MEET WITH THE M.A.N. TEAM AND TRY TO GET THE PRICE OF THE GENERATORS REDUCED TO BETWEEN U.S. \$5,000,000 AND \$5,500,000.

3. DELAVAL REPRESENTATIVES TELL US THEY ARE NOW RE-EXAMINING THE PRICING AND THE OTHER TERMS OF THEIR OFFER AND WILL TRY TO SUBMIT A REVISED OFFER ON THE MORNING OF JULY 14. HUIS SAID HE WOULD TRY TO GET A FURTHER REDUCTION OF THE INITIAL QUOTATION OF U.S. \$5,300,000 AND STRESS THE FOLLOWING ADVANTAGES OF THE DELAVAL OFFER OVER THE M.A.N. QUOTATION:

- (A) SOME ALTERNATIVES ON THE TERMS OF PAYMENT (HE PLANS TO CONSULT DELAVAL EXECUTIVES IN THE U.S. BY TELEPHONE);
- (B) A FINAL PRICE THAT WILL BE LOWER THAN THE M.A.N. QUOTATION (ALSO AS AUTHORIZED BY DELAVAL HOME OFFICE);
- (C) STRESS THAT EACH DELAVAL GENERATOR WILL PRODUCE ABOUT 1440 KW MORE THAN THE M.A.N. EQUIPMENT, RESULTING IN A LOWER COST PER KILOWATT;
- (D) INVITE TWO NABLUS ENGINEERS TO VISIT THE DELAVAL PLANT IN THE U.S.; AND
- (E) STRESS THAT THE DELAVAL EQUIPMENT CAN BE DELIVERED IN FIVE MONTHS OR LESS (THIS IS A SIGNIFICANT FACTOR BECAUSE THE NABLUS MUNICIPALITY OFFICIALS WANT THE LIMITED OFFICIAL USE

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GENERATORS IN COUNTRY AS SOON AS POSSIBLE BECAUSE THEY FEAR THAT THE GOVERNMENT OF ISRAEL MIGHT DECIDE AGAINST LETTING THE MUNICIPALITY IMPORT THE EQUIPMENT SO IT CAN INCREASE ITS GENERATING CAPACITY).

4. THE DELAVAL REPRESENTATIVES ALSO INTEND TO MAKE IT CLEAR TO THE NABLUS MUNICIPALITY OFFICIALS, ESPECIALLY MAYOR BASSEM SHAKA, THAT DELAVAL IS THE ONLY FIRM MAKING AN OFFER THAT DOES NOT IMPORT THROUGH AN ISRAELI AGENT. ACCORDING TO THEM, THE OTHER FIRMS, INCLUDING M.A.N., WILL HAVE TO PAY A COMMISSION TO AN ISRAELI AGENT IF THEY GET THE CONTRACT. THEY EXPRESSED THE BELIEF THAT IT IS POSSIBLE THAT THE SAUDI ARABIANS WOULD REFUSE TO PAY FOR THE EQUIPMENT, IF THEY LEARNED THAT AN ISRAELI FIRM WOULD EARN A COMMISSION ON THE SALE. ACCORDING TO THEIR STATEMENTS AND OTHER INFORMATION AVAILABLE THROUGH THE PRESS AND OTHER CONTACTS, THE MUNICIPALITY CANNOT AFFORD TO LOSE THE FINANCIAL SUPPORT OF THE SAUDIS.

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